

**MICHIGAN CONSOLIDATED PLAN**  
**FOR HOUSING AND COMMUNITY DEVELOPMENT**  
**Fiscal Year 2004**

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Prepared by the

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## I. EXECUTIVE SUMMARY

The State of Michigan's Housing and Community Development Consolidated Plan is submitted pursuant to a U. S. Department of Housing and Urban Development rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application aspects of HUD's Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs.

According to HUD, the Consolidated Plan creates the opportunity for strategic planning and citizen participation to take place in a comprehensive context; it allows local governments, community organizations and citizens to address the larger picture in which these programs operate, offering the State a better chance to shape the various programs into effective coordinated strategies.

The Consolidated Plan addresses housing and community development needs in the State of Michigan, including homeless individuals and persons with AIDS. The plan references strategies developed to address the following goals of the programs that it covers during the five-year period January 1, 2000 through December 31, 2004. These include:

1. Expand the availability and supply of safe, decent, affordable, and accessible rental housing for low and extremely low income individuals and families;
2. Improve and preserve the existing affordable housing stock and neighborhoods;
3. Increase homeownership opportunities for individuals and families by reducing the costs of homeownership;
4. Make homeless assistance more effective and responsive to local need through local autonomy and movement toward a continuum of care;
5. Develop linkages between the housing and service sectors to provide greater housing opportunities for households special needs; and,
6. Establish a suitable living environment and expand economic opportunities for low and moderate income people through economic and infrastructure development.

This consolidated submission includes five action plans, which specify the use of federal funds by the State of Michigan to implement housing and community development activities under four HUD-funded formula programs. The amount of funding for these programs in FY04 has not yet been determined. The following table represents the projected FY04 allocation of funds for formula programs (i.e., CDBG, HOME, ESG, and HOPWA Programs):

**Fiscal Year 2004 Funding (Projected)**

Community Development Block Grant		
Economic Development/Infrastructure	\$ 32,916,500	
Housing	10,305,500	
Administration and Technical Assistance	1,378,000	
Total Community Development Block Grant		\$ 44,600,000
HOME Investment Partnership		26,169,152
Emergency Shelter Grants		2,613,000
Housing Opportunities for Persons with AIDS		884,000
Total		\$ 74,266,152

## II. CITIZEN PARTICIPATION

### A. THE PUBLIC HEARING

Housing programs authorized through FY04 by the National Affordable Housing Act (NAHA) represent a significant source of funding through which states like Michigan may address their need for affordable housing. These programs include the:

- 
- \$ Community Development Block Grant (CDBG) program;
  - \$ HOME program;
  - \$ HOPE program;
  - \$ Shelter Plus Care program
  - \$ Supportive Housing for the Elderly (Section 211);
  - \$ Emergency Shelter Grants program;
  - \$ Safe Havens for Homeless Individuals Demonstration program;
  - \$ Supportive Housing program;
  - \$ Moderate Rehabilitation Single Room Occupancy program;
  - \$ Housing Opportunities for Persons With AIDS (HOPWA) program;
  - \$ Technical Assistance;
  - \$ Rural Homelessness Grant program;
  - \$ Revitalization of Severely Distressed Public Housing program; and the
  - \$ Low-Income Housing Preservation program.

Prior to its submission for funding from HUD's Office of Community Planning and Development, however, Michigan is required to prepare a Consolidated Housing and Community Development Plan (the "Consolidated Plan"). The Consolidated Plan identifies housing and community development needs and proposes a strategy by which those needs will be addressed during the five-year period ending December 31, 2004.

The Michigan State Housing Development Authority (MSHDA), which is responsible for preparing the Michigan Consolidated Plan, solicited comments from the public regarding the Fiscal Year 2004 plan during two minimum thirty-day public comment periods.

The initial period for public comment on housing and community development needs

commenced on July 10, 2003 and closed on September 30, 2003. During this time, MSHDA also conducted one public hearing to gather comments on the citizen participation plan and

information for the Consolidated Plan. Notices of the public hearing were published in six newspapers throughout the state, including: *The Detroit Free Press*, *The Grand Rapids Press*, *The Lansing State Journal*, *Traverse City Record Eagle*, *The Marquette Mining Journal* and *The Alpena News*.

Although no persons attended the public hearing, held in Lansing on August 20, 2003, the State received written comments. Taking into account public comments received during the FY04 Consolidated Plan public comment period, and in consultation with other state and local agencies, the Authority prepared the draft FY04 Consolidated Plan, and had copies available for public review at the beginning of the second comment period, beginning October 1, 2003, publicized in the newspapers listed above.

Copies of the Michigan Consolidated Plan were available to the public upon request and were accessible during normal business hours at MSHDA's Lansing and Detroit offices and on the Authority's website at [www.Michigan.gov/MSHDA](http://www.Michigan.gov/MSHDA). In addition, the Michigan Small Communities Association, the 14 Michigan Planning and Development Regions, the Michigan Homeless Assistance Advisory Board, and the Michigan Interagency Committee on Housing received copies of the draft Michigan Consolidated Plan for its review. The Interagency Committee on Housing consists of staff from the Departments of Community Health, Civil Rights, Family Independence Agency, Office of Services to the Aging, the Michigan Economic Development Corporation and the Michigan State Housing Development Authority.

## **B. CITIZEN PARTICIPATION PLAN**

**Applicability and adoption of the citizen participation plan.** The State is required to adopt a citizen participation plan that sets forth the State's policies and procedures for citizen participation, which comply with the provisions of 24 CFR '91.115. In accordance with these regulations, this plan amends Michigan's previous compliance with section 104(a)(3) of the Housing and Community Development Act of 1974. This amendment took effect on or about January 1, 1996.

**Encouragement of citizen participation.** The Michigan State Housing Development Authority encourages participation in the development of the plan, any substantial amendments to the plan, and the performance report. Participation of low and moderate income persons is encouraged, particularly those living in slum and blighted areas and in areas where CDBG funds are proposed to be used, and by residents of predominantly low and moderate income neighborhoods, through the following strategies:

- § Public hearing announcements have been made available to interested parties at MSHDA workshops and the Michigan Community Development Directors Association meetings. Participants in the workshops includes local units of government, nonprofits organizations (including homeless providers), lenders, and individuals interested in affordable housing and community development.
- § A hearing is scheduled in a location accessible to low and moderate income persons and persons with disabilities.
- § Consultation sessions are scheduled, providing interested stakeholders an opportunity to give input on trend, needs, issues, and program designs.

### **Citizen and local government comment on the citizen participation plan and amendments.**

All public hearing announcements and comment periods specifically reference the fact that comment is requested on both the consolidated plan and the citizen participation plan. These plans will be made available in a format accessible to persons with disabilities upon request.

### **Development of the consolidated plan.**

1. Before the state adopts its Consolidated Plan, the state will make available to citizens, public agencies, and other interested parties information that includes the amount of assistance the state expects to receive and the range of activities that may be undertaken, including the estimated amount that will benefit persons of low and moderate income and the plans to minimize displacement of persons and to assist any persons displaced. This information will be available October 1, 2003.
2. The state will publish the proposed Consolidated Plan in a manner that affords citizens, units of general local governments, public agencies, and other interested parties a reasonable opportunity to examine its contents and submit comments. The plan has



been made available at the Lansing and Detroit offices of the Michigan State Housing Development Authority, the Michigan Economic Development Corporation, and its availability by mail was advertised in six newspapers of general circulation. Comments were solicited by mail through announcements in six newspapers of general circulation, and in person at program workshops and the Michigan Community Development Directors Association fall quarterly meeting.

3. The Michigan State Housing Development Authority, the Michigan Economic Development Corporation and the Department of Community Health held a public hearing in order to solicit information on housing and community development needs. Advance notice was given for these hearings, in the form of announcements published in six newspapers of general circulation, at least two weeks prior to the public hearing. Such announcements provided information about the topic of the hearings, location, and how comments could be submitted by mail if the person(s) was unable to attend the public hearing in person. The public hearing was held at a time and place convenient to potential and actual beneficiaries. Locations were handicapper accessible. Interpreters shall be provided in instances where there is reason to believe a significant number of non-English speaking residents can be reasonably expected to participate.
4. The Citizen Participation plan provided for a period of not less than 30 days to receive comments from citizens and units of general local government on the consolidated plan. The dates of this period were on or about October 1 through October 31, 2003.
5. The State has received the comments and views of citizens and units of general local government received in writing, at program workshops and at the public hearing. All comments were considered in the preparation of the Consolidated Plan and five year strategy.

#### **Amendments to the Consolidated Plan.**

Under the final Consolidated Plan regulations, the State is required to advise HUD of substantial changes in the state's Consolidated Plan. The Michigan Consolidated Plan represents the best effort possible to incorporate citizen concerns in the entire planning process.

1. Criteria for amending the Consolidated Plan and/or the disbursement or targeting of funding would include changes in activities or the method of distribution, either reported herein or unforeseen, and changes in beneficiaries or subscribers that could reasonably be expected to change the delivery of services described herein. By definition, a substantial amendment to the Consolidated Plan would result from a change from eligible to ineligible activity, or vice versa, or a change from competitive award of funds to formula allocation, or vice versa, or from a change in the method of distribution of funds if said change will cause an increase or decrease in the original allocation mix over 35%. Administrative transfers of funds to reflect actual program spending between and among programs identified in the plan will not constitute a substantial amendment to the plan if 1) such transfer does not result in the addition or elimination of the activities described herein and 2) such transfer does not cause a change in program priorities as described in this section.

2. The State will provide citizens and units of local government with reasonable notice and an opportunity to comment on substantial amendments. Reasonable notice will be given through a public notice in a newspaper(s) with statewide circulation. Opportunity to offer comments will be provided by a period of not less than 30 days, identified in the public notice, to receive comments on the substantial amendments before the amendment is implemented. The notice will clearly provide the name and address of the person responsible for receiving these comments. Reasonable notice will be given to the public for non-substantial amendments by a statewide mailing to current grantees and other interested parties.
3. The State will consider any comments or views of citizens and units of general local government received in writing, if any, in preparing the substantial amendment to the consolidated plan. A summary of these comments or views not accepted and the reasons therefore shall be attached to the substantial amendment to the consolidated plan.

### **Performance Reports.**

1. Citizens shall be provided with a reasonable notice and opportunity to comment on any performance reports required on the Consolidated Plan. A period of not less than 15 days shall be provided to receive comments on the performance report prior to its submission to HUD. Reasonable notice shall be given in the form of an announcement in one or more newspapers of general public circulation.
2. The state shall consider any comments received in writing or orally at public hearings in preparing the performance report. A summary of these comments shall be attached to the performance report.

### **Citizen participation requirements for local governments.**

Units of general local government receiving CDBG funds from the State will hold a public hearing to receive comment on their proposed project(s) prior to submission to the State. For housing projects, these hearings also include comment on program accomplishments from the preceding project(s). Units of local government receiving CDBG funds from the State for non-housing projects also hold a public hearing to receive public comment on program accomplishments after project completion but prior to final close out.

Units of general local government receiving CDBG HUD Disaster Recovery funds from the State will furnish citizens with information regarding the amount of funds available, the range of activities, the estimated amount of the proposed activities that will benefit persons of low to moderate income; will publish the proposed Action Plan for Disaster Recovery for public comment; and will provide reasonable public notice and comment period on any substantial change to the Action Plan.

**Availability to the public.**

The consolidated plan, as adopted, substantial amendments, and the performance report, shall be available to the public, including the availability of materials in a form accessible to persons with disabilities, upon request. These documents shall be available at both the Lansing and Detroit offices of the Michigan State Housing Development Authority and available upon request to members of the general public through U.S. mail.

**Access to records.**

The state shall provide citizens, public agencies, and other interested parties with reasonable and timely access to the state's consolidated plan and the state's use of assistance under the programs covered by this part during the preceding five years.

**Complaints.**

The state shall provide a timely, substantive written response to every written citizen complaint, within 15 working days where practicable, to complaints received from citizens on the consolidated plan, amendments, and performance report.

**Use of the Citizen Participation Plan.**

The state assures that it will follow its Citizen Participation Plan.

### **III. STATE PROFILE**

**Update of Table 1A is on following page.**

**See Section III, FY 2000 Michigan Consolidated Plan  
For Housing and Community Development**

**TABLE 1A**

Statewide Continuum of Care: 2003 Housing Gaps Analysis Chart					
		Estimated Need	Current Inventory in 2003	Under Development in 2003	Unmet Need/Gap
<b>Individuals</b>					
<b>Beds</b>	Emergency Shelter	8,042	4,546	170	3,496
	Transitional Housing	6,034	2,486	426	3,548
	Permanent Supportive Housing	8,179	2,263	721	5,916
	Total	22,255	9,295	1,317	12,960
<b>Persons In Families With Children</b>					
<b>Beds</b>	Emergency Shelter	6,184	3,424	24	2,760
	Transitional Housing	5,793	3,263	38	2,530
	Permanent Supportive Housing	5,609	1,142	303	4,467
	Total	17,586	7,829	365	9,757

<b>TOTALS</b>	<b>39,841</b>	<b>17,124</b>	<b>1,682</b>	<b>22,717</b>
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Statewide Continuum of Care: 2003 Homeless Population and Subpopulations Chart					
<b>Part 1: Homeless Population</b>	<b>Sheltered</b>			<b>Unsheltered</b>	<b>Total</b>
	<b>Emergency</b>		<b>Transitional</b>		
1. Homeless Individuals	4,546		2,486	7,044	14,076
2. Homeless Families with Children	944		813	2,134	
2a. Persons in Homeless Families with Children	3,424		3,263	5,290	11,977
<b>Total (line 1+2a)</b>	<b>7,970</b>		<b>5,749</b>	<b>12,334</b>	<b>26,053</b>
<b>Part 2: Homeless Subpopulations</b>	<b>Sheltered</b>			<b>Unsheltered</b>	<b>Total</b>
1. Chronically Homeless			2,695	5,628	7,869
2. Seriously Mentally Ill			4,745		
3. Chronic Substance Abuse			6,687		
4. Veterans			2,711		
5. Person with HIV/AIDS			1,948		
6. Victims of Domestic Violence			4,885		
7. Youth			1,561		

#### **IV. FIVE YEAR STRATEGY**


**See Section IV, FY 2000 Michigan Consolidated Plan  
For Housing and Community Development**

## **V. ONE YEAR ACTION PLANS**

### **MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

#### **1. Introduction**

Under the Michigan CDBG Program, all projects must meet one of the following national objectives to be considered for funding:

- The activities will benefit persons of low and moderate income, as defined by Section 104(b)(3) of the Housing and Community Development Act and 24 CFR 570.483;
-  • The activities will aid in the prevention or elimination of slums or blight, as defined by 24 CFR 570.483; or
- The activities are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, where the community is unable to finance the activity on its own and where other financial resources are not available to meet such needs, as defined by 24 CFR 570.483.

#### **2. Eligible Activities**

Activities cited in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, are eligible for assistance.

### **COSTS OF PREPARING GRANT APPLICATIONS ARE NOT ALLOWABLE.**

#### **3. Eligible Applicants**

Small cities, townships, and villages of less than 50,000 in population, and non-urban counties generally are eligible to apply for grants under the Michigan CDBG Program. There are over 1,600 eligible general purpose local governments and these governments are referred to as nonentitlement jurisdictions.

#### **4. Ineligible Applicants:**

The following counties and their respective units of local governments are not eligible for Michigan CDBG funds:

Genesee County (Flushing is the one community within Genesee eligible to apply for Michigan CDBG funds)  
Kent County (Cedar Springs is the one community within Kent County eligible to apply for Michigan CDBG funds)  
Macomb County  
Oakland County  
Wayne County

Washtenaw County and the following units of government within that county are not eligible for Michigan CDBG funds:

Ann Arbor City	Pittsfield Township
Township of Ann Arbor	Salem Township
Bridgewater Township	Superior Township
Northfield Township	

The following Michigan cities are not eligible to directly apply or directly receive Michigan CDBG funds, but an eligible county may apply for CDBG funds for projects located in these cities:

Battle Creek	Jackson	Muskegon Heights
Bay City	Kalamazoo	Norton Shores
Benton Harbor	Lansing	Portage
East Lansing	Midland	Port Huron
Holland	Muskegon	Saginaw

Indian tribes eligible for assistance under Section 107(a)(7) of the Housing and Community Development Act are not eligible to directly apply for or directly receive Michigan CDBG funds, but an eligible county or township may apply for Michigan CDBG funds for projects located on Indian reservations if the unit of local government has the legal authority to fund such projects on Indian reservations and Indian preference is not provided.

## 5. Allocation of Funds

During the 2004 program year, the State expects to receive approximately \$42,600,000 from the U.S. Department of Housing and Urban Development (HUD) for the Michigan CDBG Program. The actual amount available may vary based on recapture and reallocation of other funds from previous allocations and the amount of program income received. In addition, the actual distribution of allocated or unallocated amounts may vary according to the demand for funds and fundable grant applications.

Funds received from HUD, recaptured funds, and program income for the program will be initially distributed as follows:

CDBG Category	Allocation	Program Income	Total
1. Economic Development Grants	\$30,916,500	\$2,000,000	\$32,916,500
2. Housing Grants	\$10,305,500		\$10,305,500
3. Administration and Technical Assistance	1,378,000		\$ 1,378,000
Total	\$42,600,000	\$2,000,000	\$44,600,000

**Other Funds.** In addition to funds available for distribution, as allocated to the State by the federal government for the 2004 program year, other funds may become available for distribution. Such other funds may include:

- Unobligated grant balances allocated to the State under any previous program year;



- Unexpended grant obligations recovered under previous grants; and
- Any program income returned to the State.

It is estimated that the State will receive approximately \$2 million in program income during the 2004 program year. These funds will be redistributed for eligible community development projects in accordance with requirements of the 2004 CDBG program guidelines.

## A. COMMUNITY DEVELOPMENT BLOCK GRANT FOR HOUSING: ONE-YEAR ACTION PLAN

### 1. General

Under the County Allocation or Housing Resource Fund, as administered by MSHDA, CDBG funds may be used by a community to meet demonstrated housing needs. Activities eligible for funding include, but are not limited to:



- \$ Rehabilitation for homeowner, homebuyer or rental;
- \$ New Construction of rental or homebuyer; in participation with a qualified community-based organization;
- \$ Acquisition including down payment assistance;
- \$ Emergency Repair assistance (limited to 15% of funds for homeowner assistance);
- \$ Replacement housing (where home repair is not cost-effective or feasible);
- \$ Demolition in support of a housing program or neighborhood revitalization effort;
- \$ Infrastructure improvements essential to an affordable housing project or program in a targeted neighborhood where at least 51 percent of the residents have incomes not exceeding 80 percent of the area median incomes;
- \$ Public Improvements including acquisition, construction, reconstruction and/or rehabilitation (including removal of architectural barriers to accessibility) of neighborhood facilities;
- \$ Beautification projects are eligible activities when proposed under a comprehensive neighborhood or community revitalization effort involving the preservation or creation of affordable housing. Beautification projects include, but are not limited to: landscaping, planters, creating or improving parking lots, and façade improvements;
- \$ Rehabilitation and/or acquisition of buildings utilized to house the homeless;
- \$ Applicants may propose to use up to 15% of their county allocation award for public services which are directly related to supportive housing; and
- \$ An applicant may request up to a maximum of 18 percent of a funding request for general administration. **Costs of preparing grant applications are not allowable.**

CDBG housing funds may be awarded to the following local units of government:

- \$ Michigan non-entitlement counties.
- \$ Non-entitled local units of government with a population over 3,000.
- \$ Non-entitled local units of government with a population not exceeding 3,000 if there is

not a county-wide housing rehabilitation program in their county.

MSHDA has an allocation process for awarding non-entitled counties funding for housing projects. Because this program has historically been funded from CDBG funds, this process is discussed in more detail below.\*

**County Allocation Process.** Counties are eligible for funding on a two year grant cycle. The amount of the county=s allocation awarded will be primarily based on the county=s population. For counties with entitlement communities located in the county, the populations of entitlement communities will be subtracted from the total county population. **Projected maximum allocations amounts are as follows:**

POPULATION		MAXIMUM AMOUNT *
0	- 5,000	\$100,000
5,001	- 10,000	\$125,000
10,001	- 20,000	\$150,000
20,001	- 30,000	\$175,000
30,001	- 40,000	\$200,000
40,001	- 50,000	\$225,000
50,001	- 60,000	\$250,000
60,001	- 70,000	\$275,000
over	70,000	\$300,000

**\*MSHDA may make exceptions to allocations based on performance of a grantee, significance of project impacts on the community, needs of the community, overall demand for funds, and/or based on the availability of funds. MSHDA may also choose to award a county HOME funds for their allocation, especially where CDBG funds are needed for projects for which CDBG is an eligible and more appropriate funding source.**

A county grant limit may be applied by MSHDA in counties where the county elects not to operate a housing program and more than one community within the county requests funding. Limits may be applied by MSHDA in the following amounts:

\$400,000:	when individual community grant requests within the county exceed this amount, and the county population exceeds 60,000;
\$300,000:	when the individual community grant requests within the county exceed this amount, and total county population is greater than 20,000 and less than 60,000; and
\$200,000:	when the individual community grant requests within the county exceed this amount, and total county population is less than 20,000.

In the instance where a county elects not to operate a housing program, if more than one community within the county requests funding, the maximum grant award for those communities in total may be restricted to the maximum limit for that county, regardless of the population of those communities.

**Housing Resource Fund.** Additionally, some CDBG housing funds are used to support

proposals by non-entitled local governments under the Housing Resource Fund. Activities funded by the Housing Resource Fund include homeowner, homebuyer and rental assistance as eligible using HOME or CDBG funding.

## **2. Project Term**

Funds for the County Allocation may be awarded as early as January 1, 2004. CDBG funds for the Housing Resource Fund are awarded following publicly announced application windows. Grant terms for 2004 funds will generally be two years.

## **3. Threshold Requirements**

In order to be eligible for funding, communities must meet the following minimum requirements:

**a. A Community Development and Housing Needs Assessment.** An assessment which identifies community development and housing needs and specifies both short and long term community development strategies must be submitted with the application.

**b. Previous Performance.** Each applicant previously funded will be evaluated on its previous performance. A grantee that has failed to meet previous grant agreement requirements, including commitment of funds, may be deemed ineligible to apply for an additional award.

Current County grantees are not eligible to apply for 2004 housing funds until at least 75 percent of their current grant funds, exclusive of administrative funds, have been disbursed or some unusual circumstance is involved to warrant a request to apply for additional funds.

Further, communities that have received Michigan County Allocation funds from fiscal year 1999 or earlier cannot apply for 2004 funds until any grants covering those years have been audited and closed.

**c. Low and Moderate Income Benefit.** Applications for Michigan county allocation funds provide the following low and moderate income benefits in accordance with the HUD Section 8 Income Limits:

- Single family, owner-occupied housing rehabilitation must provide 100 percent low/moderate income benefit. Therefore, 100 percent of the funds must be awarded to household with gross annual incomes 80 percent or less of the area median income, based on household size.
- A rental rehabilitation activity must assure at minimum that 51 percent of units after rehabilitation are occupied by low/moderate income households.
- In calculating the low/moderate income benefit for a demolition, infrastructure or public improvement project, at least 51 percent of the households served by the project must be low/moderate income.
- Applications with less than the above stated low/moderate income requirements will not be considered for funding.

**d. Maximum Investment.**

Homeowner rehabilitation assistance will generally not exceed \$25,000 per unit, with the following exceptions:

- \$ Substantial rehabilitation costs, including costs attributable to lead-based paint abatement, not to exceed \$35,000;
- \$ Replacement housing costs not to exceed \$75,000.

Homebuyer assistance programs include the following minimum guidelines:

- \$ MSHDA Single Family asset limitation applies.
- \$ Not limited to first-time homebuyers.
- \$ Purchase price limit is the lesser of the HUD 203(b) limit or the appraised value.
- \$ Homeownership education is required.
- \$ Down payment assistance is generally limited to \$10,000 per unit and restricted to 50 percent of the down payment plus reasonable closing costs.
- \$ Communities are expected to obtain leverage funds from other housing programs such as federal weatherization funding, Rural Development, and MSHDA PIP. Communities are also encouraged to provide leveraging dollars and in-kind services locally.

Rental rehabilitation assistance is generally limited to a maximum of \$14,999 per unit. The investor must contribute, at minimum, 25 percent of total development costs.

**4. Project Selection**

While a variety of housing activities are eligible for funds, the following guidelines must be considered when proposing a homeowner rehabilitation activity. The financing mechanism must, at a minimum, be a deferred loan for 100% of the assistance.

**Lien Requirements:** MSHDA requires the placement and recording of a lien on properties receiving CDBG assistance. Exception will be given to emergency repair loans where the cost of the repairs is at or below \$2,500. Waivers will be considered for other unique circumstances on a case-by-case basis.

**5. Public Services**

The use of 15% of the county allocation for public services is restricted to supportive services directly associated with MSHDA or HUD funded supportive housing projects, including case management, enhanced management, and direct supports for persons residing in transitional housing for homeless households and/or in permanent supportive housing for homeless and/or special needs populations.

## **6. Award Process**

**a. County Allocation.** Applications for awards will not be scored, but will be reviewed to assure that all threshold requirements are met and that the proposed housing program is acceptable.

If several communities located within a county where there is no countywide program apply for funding, it may be necessary to evaluate those applications against each other, due to limited funds available.

The following factors must be addressed adequately in applications for a housing proposal to assure favorable consideration:

- § Total number of units to be rehabilitated in relation to community population and identified housing need;
- § Estimated average and maximum total cost and average and maximum CDBG assistance per unit and the amount of funds to be leveraged;
- § Level of improvement to be achieved in assisted properties. All properties assisted with CDBG funds must be brought up to Section 8 Existing Minimum Housing Quality Standards or UPCS, or its replacement. (NOTE: An exception can be made for an Emergency Repair Activity not to exceed 15 percent of the total grant);
- § Administrative and staff capacity to manage program;
- § A marketing plan to include "Affirmative Marketing";
- § Percent of requested funds to be used for administrative purposes (18 percent maximum);
- § The extent to which the proposal will further fair housing activities.

**b. Housing Resource Fund.** Projects are awarded CDBG funds where CDBG is a more appropriate funding source than HOME. Examples would include demolition, beautification, rental rehabilitation for mixed-income projects. Applications are funded based on:

- § Prospect for substantial community impact;
- § Compliance with federal regulations and MSHDA policy;
- § Cost-effectiveness;
- § Applicant capacity and track record.

## **7. Monitoring**

MSHDA will annually monitor the implementation of these plans to determine that good faith

efforts have been made to carry out the procedures and requirements specified in the plans, to determine if the objectives have been met, and to take corrective action as necessary.


## **8. Lead-Based Paint Hazards**

In the County Allocation Program, all properties rehabilitated must meet HUD's Section 8 Existing Minimum Housing Quality Standards (HQS) or UPCS, or its replacement. As lead-based paint requirements are incorporated into HUD's standards, on a statewide level we are continuously addressing lead-based paint issues on housing rehabilitation projects. Note: An exception can be made for CDBG funded county allocations, as communities may request up to 15 percent of their homeowner rehabilitation funds be utilized for Emergency Repair Activities.

## **B. COMMUNITY DEVELOPMENT BLOCK GRANT FOR ECONOMIC DEVELOPMENT: ONE-YEAR ACTION PLAN**

### **1. General**

CDBG economic development includes economic development funding consisting of grants for economic development infrastructure (including tourism projects, prospective business parks, and prospective business facilities), economic development planning, and economic development discretionary funds.

 **onal Objectives.** In order to qualify for CDBG funding consideration, all economic development projects must meet the federally required national objective of providing direct benefit to low and moderate income people. Economic development infrastructure and planning projects must result in job creation or retention where at least 51 percent of the jobs are made available to, or held by, low and moderate income people.

Low and moderate income is defined each year by the U.S. Department of Housing and Urban Development and consists of household income levels by family size. Typically, the low and moderate income level is 80 percent of the county median family income and is based on the income level of the household and not the individual filling the job. For job creation, the low and moderate income requirement is applied at the time of hire. For job retention, the requirement is applied at the time of application for CDBG funds.

Jobs are defined as full-time equivalent permanent jobs, which does not include construction jobs, temporary jobs, layoffs, or pre-existing jobs. Only those jobs which are created, or retained, during the grant project period will be considered in meeting the national objective and selection criteria. The State will make a final determination of the actual number of jobs created, or retained, and the actual number of jobs available to, or held by, low and moderate income people at the time the project is officially closed out by the State.

**Funding Cycle and Limitations.** Proposals are considered on a continuous basis and applications for economic development projects may be submitted at any time during the year. At least once during the Program Year, a single competition will be held with specific funding deadlines. The single competition will be publicly announced and advertised. Approved projects will include only those activities identified in the Annual Action Plan.

To receive consideration for funding, an eligible local government must prepare and submit a Notice of Intent (NOI). The NOI is a two-page form providing basic information on the proposed project, project activities, and a summary of the project budget including grant funds being requested and other funds. The NOI is reviewed by the Michigan Strategic Fund.

If it is determined that the proposed project adequately has met the selection criteria, the Michigan Strategic Fund will authorize the local government to prepare a full application.

Usually, a community may receive only one grant per program year.

**Selection Criteria.** In considering project funding, a system based on selection guidelines is used to evaluate and approve applications for economic development funds. These selection criteria are considered to be thresholds that must be met or exceeded for a particular project to receive funding. If these thresholds are met by a proposed project, a positive funding decision



may be made depending on the availability of funds, quality of jobs, and compliance with all other program requirements.

**Maximum Program Period.** Projects usually must be completed within twenty-four (24) months from the date the grant is awarded. Funds not disbursed within the specified time limit may be recaptured by the State for reallocation to eligible CDBG projects.

The Michigan Strategic Fund may make exceptions to grant amount limits and project periods based on the significance of project impacts on the community and the economy, the number of jobs created or retained, needs of the community, and/or the level of benefits to low and moderate income people. Requests for exceptions must be made by the applicant community. Sufficient documentation and justification for an exception must be included in the application. Exceptions will be considered by the Michigan Strategic Fund as part of the funding decision.

**2. Economic Development Infrastructure.** Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility). Public infrastructure includes items such as: public water or sanitary sewer lines and related facilities, streets, roads, bridges, and public utilities.

**Selection Guidelines.** Economic development infrastructure projects will be expected to meet each of the following guidelines:

- Minimum Leverage Ratio - Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.
- Cost Per Job - Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is \$10,000 or less.
- Financial Viability - The business must be financially viable and able to document that it has sufficient management abilities and skills to operate the business.
- Job Creation/Retention - Funding priority will be given to projects creating and/or retaining ten or more permanent full-time jobs.
- Minimum Local Participation - Proposed projects are expected to have local government funding for public infrastructure activities. Funding priority will be given to projects where local funding for public infrastructure is ten percent or more of the total public infrastructure costs.

**3. Economic Development Planning.** Economic development planning grants are available to help communities accomplish project specific, public planning, and design work which is likely to lead to an eligible economic development implementation project. This includes preparing economic development strategies and plans for downtown areas (such as activities under the Michigan Blueprint Program or Michigan Main Street Program) leading to economic development implementation projects. Selection factors will include: an evaluation of

near term (two to four years) job creation, where at least 51 percent of the jobs are held by, or made available to, low and moderate income people, the number and quality of jobs, and the overall impact on the community.

**Selection Guidelines.** For economic development planning grants, proposals will be evaluated on the extent to which it appears that the planning grant will lead to an eligible implementation project. Evaluations will be guided on judgments by the Michigan Strategic Fund regarding the near term likelihood for low and moderate income job creation or impact on a low and moderate income community.

**Maximum Grant Amount.** The maximum grant amount shall not exceed \$50,000 and must be matched with a local cash contribution equal to the amount of CDBG funds provided. The cash match may be waived by the state based on demonstrated financial hardship.

**4. Discretionary Economic Development Grants and Loans.** Discretionary grants and loans will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development infrastructure grants, prospective business parks and facilities loans, or economic development grants. This may include Brownfield site redevelopment, downtown development, general public infrastructure activities, CDBG Section 108 loan guarantees, and projects associated with the State funded Core Communities Initiatives.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal. All funding considerations will be made in compliance with federal CDBG regulations and requirements.

**5. Broadband Telecommunications Development.** An amount of up to \$4,000,000 will be allocated for grants to eligible general purpose local governments to be used for eligible broadband and telecommunications infrastructure projects. These grants will be based on area wide benefit to low and moderate income people.

## **C. EMERGENCY SHELTER GRANTS: ONE-YEAR ACTION PLAN**

### **1. Introduction**

The State of Michigan's Emergency Shelter Grant (ESG) Program will be administered by the Michigan State Housing Development Authority (MSHDA), through its Office of Community Development. It is anticipated that HUD will award a "balance of state" allocation of approximately \$2,610,000 in Emergency Shelter Grant (ESG) funds to the State of Michigan for FY 2004 (based on prior year federal authorization level). MSHDA will provide an additional \$5,000,000 in matching funding for statewide ESG programs. A portion of these MSHDA-generated matching funds may be used for activities associated with response to homelessness that fall outside HUD-defined eligibility restrictions for ESG programming (e.g., Continuum of Care coordination).

MSHDA has adopted the basic principles of HUD's Continuum of Care strategy for use in its ESG funding distribution. The primary program design for FY 2004 allocates a targeted sum of grant funds to local communities that have developed and submitted an approved Continuum of Care plan. There are 60 active Continuum of Care planning bodies in Michigan, representing all 83 of our Counties. These Continuum of Care planning groups are comprised by homeless providers and related stakeholders in a community. They meet regularly to assess the community's homeless and housing needs, inventory existing resources available to serve them, identify gaps in housing and service delivery, prioritize local needs, and develop comprehensive strategic plans. MSHDA assigns a "target funding allocation" to each Continuum area for planning purposes, and each Continuum then submits an "ESG Funding Strategy" which recommends specific funding amounts for eligible projects and activities in its area --- within the limits of the assigned allocation amount.

These Continuum of Care plans – and associated ESG Funding Strategies – are evaluated against threshold criteria to ensure their feasibility, consistency with program rules and principles of practice, and effectiveness. Each grantee agency must, in turn, submit its own Project Application for MSHDA review. MSHDA staff review all projects recommended by the Continuum body for eligibility of activities and cost. They also screen project grantees for eligibility and capacity.

Beginning in FY 2003, Continuum of Care plans and funding recommendations were developed and submitted for approval in a two-year planning and funding cycle. Funding awards in FY 2003 included a tentative commitment for funding at the same level through 2004 – contingent on federal and state budgetary authorizations.

MSHDA works closely with local communities to support the continuing evolution of existing Continuum groups. Each year, MSHDA conducts a series of regional and specialized trainings throughout the state addressing ESG programming and Continuum of Care coordination. MSHDA also provides technical assistance as necessary to help local planning bodies to develop their Continuum processes and strategies. A state level advisory council – the Michigan Homeless Assistance Advisory Board (MHAAB) acts as a clearinghouse for related ideas and feedback as the State moves toward increasing local autonomy.

A notice of funding availability for the Emergency Shelter Grants (ESG) program will be published and distributed statewide in the Fall of 2003. Application information will be posted on MSHDA's public website and disseminated widely. Regional workshops in the fall of 2003 will further explain the ESG funding process.

## **2. Eligible Projects and Sponsors**

Emergency Shelter Grant funds (both federal and MSHDA matching funds) may be used for projects associated with providing shelter, transitional housing, prevention, and/or essential services to homeless individuals and families with children. Eligible Emergency Shelter Grant projects using federal funds include but are not limited to:

- The start-up of new shelters or transitional housing programs by experienced service providers
- Expansion of current shelters, transitional housing, prevention programs, or essential services
- Ongoing funding of shelter operations, transitional housing, prevention programs, or essential services

Project sponsors must be established private non-profit 501(c)(3) agencies or public non-profit entities, must have had at least one year of successful experience in administering homeless programs, and must be actively involved in a local Continuum of Care planning body. No projects will be considered from areas that do not have a current and approved Continuum of Care plan in place.

## **3. Proposed Use of Funds**

The use of funds for recipients of federal ESG dollars will be limited to Operating, Essential Services, and Homeless Prevention as described below. Grantees will be allowed a limited amount of funding for staffing as a part of operating/administrative costs, if necessary, not to exceed 10 percent of the project's total award. MSHDA's FY 2004 ESG program will include the following categories of allowable use:

- a. **Operating:** Grant funds will provide for maintenance and operating expenses of a shelter, transitional housing, or associated service facility, including but not limited to: insurance, food, utilities, maintenance, and repair expenses; necessary furnishings; salaries for security staff; and staff costs of operations (up to 10 percent of the total grant).
- b. **Essential Services:** Grant funds may be used for essential/supportive services costs including but not limited to: case management, child care, employment and training, health care screening and referral, substance abuse prevention and treatment, counseling, and educational guidance. These funds will be used for

salaries and benefits for counselors, case managers, other essential services staff; client transportation expenses; and other direct costs of essential services provision. MSHDA will allocate no more than 30 percent of its combined federal and matching ESG funds to essential services unless a waiver is obtained.

- c. Homeless Prevention:** Homeless prevention funds will be used to provide direct financial assistance to pay utility shut-off balances and arrearage, prevent rental evictions or mortgage foreclosures, and assist with first month's rent and security deposits. MSHDA will allocate no more than 30 percent of its combined federal and matching ESG funds to homeless prevention services unless a waiver is obtained. To qualify for financial assistance under this homeless prevention category, households must meet the following criteria:

- 1) The inability of the household to make the required payments must be due to a sudden reduction in income; and
- 2) The assistance must be necessary to avoid eviction or termination of services; and
- 3) There must be a reasonable prospect that the household will be able to resume payments within a reasonable period of time; and
- 4) The assistance must not supplant funding for pre-existing homeless prevention activities from any other source.

MSHDA will elect not to absorb the administrative funds for which it is eligible, in order to be able to increase funding available for community programs and services. Moreover, MSHDA will dedicate a portion of its internally dedicated ESG project funds for uses that include: a) costs of coordinating local Continuum of Care activities – including fiduciary & administrative functions, b) costs of local implementation of the Michigan Statewide Homeless Management Information System (MSHMIS), c) piloting innovative rural homeless and prevention projects on a competitive basis, and d) other homeless activities and initiatives as may be identified by MSHDA's Homeless Programs office. Financial assistance for costs for critical needs for facilities repair, and for homeless facilities development or rehabilitation, will be available (based on demonstrated agency need and capacity) through MSHDA's Housing Resource Fund. As such, no federal ESG funding will be directed to these costs.

#### **4. Evaluation of ESG Projects**

Local communities will submit their Continuum of Care plans and specific funding recommendations for individual projects (within limits of targeted allocations) to MSHDA in accord with a widely distributed Notice of Funding Availability (NOFA). Representatives from the Office of Community Development and MSHDA's Homeless Program Staff will review, critique, and approve submitted community plans and funding recommendations, as well as determine project eligibility.

#### **5. Certification of Local Approval**

A Certification of Local Approval signed by the highest elected official for the local unit of government where each project is administered is required from each program applicant. Documentation of these certifications is maintained in grantee files at MSHDA.

## **6. Grantee Reporting**

A Homeless Programs Progress Report, due twice each year, asks grantees to report on service activities, client demographics, performance outcomes, and service needs in their area. Volunteer hours served by individuals in the community and in-kind contributions leveraged by the grantees will also be reported. MSHDA will compile this data into a statewide report to be used to assist in needs assessment, determination of funding priorities, coordination of services with other state agencies, and enhancement of services for homeless populations.

In the Fall of 2003, MSHDA will begin implementation of the Michigan Statewide Homeless Management Information System (MSHMIS). This new web-based reporting mechanism will track client-level data at the agency, community, and state levels. While MSHMIS initially will focus on emergency shelter, transitional housing, and permanent supportive housing consumers, this system will ultimately capture descriptive data on homeless persons and families in all provider systems.

## **7. Lead-Based Paint Hazards**

The Michigan State Housing Development Authority (MSHDA), as the agent for the State of Michigan, will assure full compliance with all lead-based paint rules and regulations as they are applicable to the Emergency Shelter Grant Program. All ESG program grantees are provided regular training and support in lead-based paint compliance.

## **8. Matching Funds**

The Michigan State Housing Development Authority Board has committed \$5 million in MSHDA funds as match for the FY 2004 ESG Program.

## **D. HOME INVESTMENT PARTNERSHIP: ONE-YEAR ACTION PLAN**

### **1. Introduction**

At the time of publication of this plan, the State of Michigan's FY04 allocation of HOME funds was not yet determined, but the range of activities planned for the FY04 allocation of HOME funds is similar to those undertaken with FY03 funds. The State of Michigan received an allocation of \$26,169,152 in FY03 for the HOME Investment Partnership Program and projects a similar level of funding for FY04. The Michigan State Housing Development Authority (MSHDA) will continue to be the administrative agency for the state's allocation of HOME funds.



HOME funds in Michigan are used for projects to expand the supply and availability of safe, decent, accessible, and affordable housing for moderate, low and extremely low income households through a statewide network of public/private partnerships. Activities eligible for funding include, but are not limited to:

- \$ Rehabilitation for homeowner, homebuyer or rental;
- \$ Acquisition including downpayment assistance;
- \$ New construction of rental or homebuyer;
- \$ Tenant based rental assistance;
- \$ Demolition in conjunction with rehabilitation or new construction;
- \$ Homeless assistance (restricted to housing development activities for transitional or permanent housing);
- \$ Reconstruction housing; and
- \$ An applicant may request funding for general administration.

Michigan will continue to allocate its HOME funds in a manner consistent with this Consolidated Plan. The state's allocation for HOME funds is based primarily on the demographics of non-HOME entitled areas of the state.

Eligible applicants in non-HOME entitled areas of the state include:

- \$ All local units of government with a population of 3,000 or over.
- \$ Local units with a population less than 3,000 will be reviewed for eligibility on a case by case basis.
- \$ Non-profit organizations, including CHDOs, are required to collaborate with the local unit of government.

Priority for the use of HOME funds will be in non-entitled HOME areas, but exceptions may be made for the following types of situations:

- \$ To assist nonprofit organizations;
- \$ To provide additional funding for other MSHDA programs;



§ To share costs with projects receiving local Participating Jurisdiction funds.

In all of the above cases, whenever MSHDA HOME funds are committed within a local participating jurisdiction, MSHDA will coordinate its activities with those of the local participating jurisdiction and will generally require local matching funds.

## **2. Proposed Use of HOME Funds**

With the funding available for Michigan's FY04 HOME allocation, MSHDA is reserving no more than five (5%) percent for CHDO operating expenses and no more than ten (10%) percent for administrative expenses. Of the funding available for projects, MSHDA will invest at least fifteen (15%) percent in projects owned, developed or sponsored by CHDOs. MSHDA plans to invest its project funds in eligible activities, in accordance with this Consolidated Plan. In implementing these programs and other affordable housing activities, MSHDA will provide at least twenty-five (25%) percent in non-federal match.

## **3. Rental Housing Programs**

**a. Supportive Housing Demonstration.** The State of Michigan is participating in a Supportive Housing Demonstration that is designed to prevent or alleviate homelessness. The purpose of the demonstration is to create successful models for serving people who are difficult to house, including those with special needs. HOME funds will be available to help implement this demonstration in selected communities. Each community has formed a consortium of local government and human service agencies to plan and help fund their own supportive housing development program. Local consortia are also responsible for making available a coordinated set of services to address the ongoing support needs of residents.

The initial round of the demonstration is substantially complete in four communities: Allegan, Genesee, Kent and Washtenaw counties.

Five additional sites were selected from communities that responded to an open call for proposals for a second round of supportive housing demonstration sites: Grand Traverse-Benzie, Kalamazoo, Livingston, Ottawa and western Wayne counties. Approximately 350 new units will be developed in these communities in partnership with local consortia.

The state's HOME funds may be used for eligible project activities in conjunction with funds provided locally through each community's supportive housing consortium. Local funds will come from public and private sources. Housing Tax Credit use and local property tax relief will also be encouraged. Applications will be considered from nonprofits selected by the local consortium in each community. The amount of state HOME funds invested will be determined as part of an underwriting and review process for each development.

**b. Preservation.** MSHDA will make HOME funds available for the preservation of MSHDA financed multi-family housing developments and may make HOME funds available for preservation of non-MSHDA financed multi-family housing developments. Recipients must

extend the low-income character of the development. Transactions may involve a transfer of ownership. The maximum HOME assistance will vary depending on the age, type and size of the development and an underwriting evaluation. HOME assistance will be limited to the amount of assistance needed to fill the funding gap, as determined by MSHDA. Rent and occupancy restrictions will apply for, at a minimum, the HOME affordability period.

**c. Leveraging Federal Funding and Deep Subsidy Assistance.** MSHDA may make funds available to leverage the construction of new developments and the award of project-based Rental Assistance under the U.S. Department of Agriculture-Rural Development Section 515 Program and/or the U.S. Department of Housing and Urban Development Section 202/811 Programs.

**d. Tenant Based Rental Assistance Greenhouse Initiative.** MSHDA will utilize HOME funds to establish a program providing Tenant Based Rental Assistance (TBRA) targeted to homeless populations in 8-10 communities throughout the state. This initiative will offer a transitional bridge to permanent housing for homeless households. Funds will be distributed in collaboration with targeted service providers and local Continuum of Care bodies.

Based on the 2003 Statewide Continuum of Care: Gaps Analysis (see Section III, update of Table 1A), the state has an unmet need of 6,078 transitional housing units for homeless families and individuals. As stated under Goal 4 of our Five Year Strategy, both the state's Strategy Development and Investment Plan emphasizes the need for transitional, supportive housing that is responsive to local needs.

**e. HOME Equity Enhancement.** HOME funds for the development of rental housing other than the above-described initiatives will be made available to assist projects in the following categories:

1. Multifamily Rental Housing (12-49 units)

(a) Project Eligibility - Multifamily development proposals of 12-49 units must meet all of the following criteria:

- MSHDA tax-exempt debt financing; the debt financing must be greater than 50% of the total development cost. MSHDA may use HOME funds to reduce the tax-exempt interest rate; or  
MSHDA taxable debt financing;
- Low Income Housing Tax Credit award, with the equity investment, net of allowable developer fees and project costs not recognized in the debt financing, used to reduce the need for HOME funds;
- Agreement by the community to accept a service fee in lieu of real property taxes for a period not less than the term of the first mortgage loan;

- Agreement by the sponsor to enter into a regulatory agreement whereby, at MSHDA's sole discretion, ten percent (10%) of the units will be rent restricted and occupied by households with incomes at or below 30% of the area median income, adjusted for family size, as defined by HUD. MSHDA may elect to waive this criterion if its imposition results in the debt financing totaling less than or equal to 50% of the total development costs;

(b) HOME Assistance Levels - The minimum amount of HOME assistance will be \$1,000 per unit. The maximum amount of HOME assistance will be the lesser of the equity gap as determined by MSHDA, the total development cost of the HOME designated units, or the per unit HOME subsidy limit multiplied by the number of HOME designated units.

(c) Income Targeting - MSHDA may elect, at its sole discretion, to apply the HOME funds to a specific number of units within the development and require that these units be deeply targeted and made affordable to families with incomes at or below 30% of the area median income, adjusted for family size.

(d) Loan Terms - HOME assistance will be provided as a mortgage, to be repaid from:

- § Twenty-five percent of any cash distribution to the project owner, as determined by an independent annual audit of project income and expenses;
- § The proceeds of any refinancing or sale designed to alter the low income character of the residents of the development. In this event, the full subordinate HOME loan will be accelerated and become immediately due and payable; and
- § Project operating revenue following repayment of the first mortgage. In this event, the outstanding balance of the HOME loan will become the new first mortgage and begin to bear interest at the same rate as the original mortgage with monthly mortgage payments equal to the payments under the original first mortgage.

## 2. Small Scale Rental Housing (1-24 units)

(a) Project Eligibility - HOME funding may be invested in subsidized secondary loans for small scale development projects (1 to 24 units) on a case-by-case basis and where the project will address a clear public purpose and specific community need such as:

1. The project is an essential component of a comprehensive community revitalization strategy aligned with MSHDA investment priorities; or
2. The project is part of a strategy to create low-income housing opportunities in a higher cost setting or area characterized by economic growth (e.g., economic integration or deconcentration); or
3. The project is targeted at special needs/homeless/supportive housing populations that require a more intimate scale.

Proposed projects must meet all the following criteria:

- § Low Income Housing Tax Credit award, with the equity investment, net of allowable developer fees and project costs not recognized in the debt financing, used to reduce the need for HOME funds;
- § Sponsorship by a community-based nonprofit group, defined as:
  - A Community Housing Development Organization (CHDO),
  - A Community-Based Development Organization (CBDO), as defined by HUD,
  - A local 501(c) organization, organized in Michigan, currently involved in housing in the market area in which the housing is being proposed,

**OR**

Sponsorship by a for-profit group.

- § If special needs housing is being proposed, it must include provision for appropriate support services and project sponsors must be participating in a local continuum of care strategy planning body or a local consortium planning body for supportive housing.

It is the intent of MSHDA to reduce the need for HOME funding by leveraging other sources of financial assistance, but this may not always be practical. At the discretion of MSHDA's Executive Director, these proposals may not always require the use of Low Income Housing Tax Credit.

(b) HOME Assistance Levels - The minimum amount of HOME assistance is \$1,000 per unit. The maximum amount of HOME funding will be:

- Within a Participating Jurisdiction, the lesser of the equity gap as determined by MSHDA or \$30,000 times the total number of HOME designated units in the project. For special needs housing the maximum HOME assistance will be the lesser of the equity gap as determined by MSHDA or \$40,000 per HOME designated unit.
- Outside a Participating Jurisdiction, the lesser of the equity gap as determined by MSHDA, the total development cost of the HOME designated units, or the per unit HOME subsidy limit multiplied by the number of HOME designated units.

(c) Income Targeting - MSHDA may elect, at its sole discretion, to apply the HOME funds to a specific number of units within the development and require that these units be deeply targeted and made affordable to families with incomes at or below 30% of the area median income, adjusted for family size.

(d) Loan or Grant Terms - The affordability and repayment terms will be determined by MSHDA's Executive Director. At a minimum, in the event of a refinancing, sale, or

conversion of use that would alter the low income character of the residents of the development prior to the expiration of the affordability period, the full amount of HOME loan will be recaptured.

### 3. Requirements for Participating Jurisdiction Contributions

- (a) For all multifamily rental developments located in participating jurisdictions, a local contribution must be made. The minimum contribution, excluding any credit for the value of property tax relief, must be the lesser of 50% of the total HOME funds necessary as determined by MSHDA or 5% of the participating jurisdiction's most recent annual HOME allocation.
- (b) The participating jurisdiction must agree that match credit derived from the present value of property tax relief must, at a minimum, be split between the community and MSHDA based on a pro-rata share of the actual HOME assistance provided.
- (c) At the discretion of MSHDA's Executive Director, proposals may not always require contribution from the participating jurisdiction's HOME allocation.

### f. **Rental Rehabilitation.** MSHDA will make funds available for rental rehabilitation as follows:

- 1. Funding awards to local units of governments (state recipients) will be made to administer a HOME rental rehabilitation program. CDBG funds may be used if deemed more appropriate for the specific program proposed. The program will generally provide a forgivable loan of up to a maximum of \$14,999 per unit however, additional funds needed to address lead-based paint hazard reductions may be allowed. Investors must contribute at least 25 percent of the total development cost. The term of the loan will coincide with the rent affordability requirement. Units will be rehabilitated to the HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include addressing all local code items.
- 2. Loans to the owners of MSHDA financed multi-family developments will be made, at the sole discretion of MSHDA, for the rehabilitation of the development. Funding will only be available to the extent MSHDA determines that reserve levels are not adequate to cover the costs and still maintain an adequate balance for future needs. Funding will generally be limited to a maximum of \$14,999 per unit. Units will be rehabilitated to the HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include addressing all local code items.

### 4. Homebuyer Assistance Programs

- a. **Acquisition/Development/Resale Assistance.** MSHDA will make funds available through grants or loans to eligible nonprofit organizations and to local units of government or may loan HOME funds to for-profit developers, for the purpose of newly constructing, acquiring

and/or rehabilitating units for sale to low and moderate income families. The maximum amount of HOME funds that a grantee may invest in a home is the per unit dollar limits established by HUD under Section 221.514(b)(1) and (c). The appraised value of the properties may not exceed the single family mortgage limits established by HUD. The sale price (purchase price limit) may not exceed the lesser of the appraised value or the HUD maximum appraised value limits.

Grantees may (a) resell the HOME-assisted property to a qualified buyer using affordable financing, (b) sell the property under a lease-purchase agreement to families who will be able to qualify for mortgage financing within 24 months, or (c) use other homeownership models, such as community land trusts, to address the needs of specific markets. The unit must meet HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include all energy conservation items at the time of occupancy. The resale provisions described in Section 12 will be applied to any resale during the affordability term.

**b. Down Payment Assistance.** MSHDA will provide a down payment assistance program for qualified eligible families, especially first-time homebuyers by making funds available through financial institutions, eligible nonprofit organizations, or local units of government. Maximum downpayment assistance for a household may generally not exceed \$10,000. The homebuyer is responsible for a minimum cash contribution equal to 1 percent of the sales price. As permitted by HUD, homeownership assistance can be used for the balance of the minimum cash requirement to close (including closing costs, prepaids and down payment requirements) as calculated by the lending institution providing the first mortgage. The property's appraised value may not exceed the applicable HUD single family mortgage limit. Mortgage financing is required; land contracts are not eligible.

Additional funds may be provided for rehabilitation of homes receiving downpayment assistance. Where rehabilitation funds are provided at closing as part of a single affordable financing package (1<sup>st</sup> and 2<sup>nd</sup> mortgage) based on the increased value of the property. CHDOs may use funding from the CHDO set-aside as developers of the property.

Down payment assistance will be combined with the acquisition/development/resale program. MSHDA may, under this combination of assistance, provide a higher maximum downpayment assistance to (a) achieve affordability or (b) permit recapture of HOME funds upon resale during the affordability period.

A lien will be placed on the property in the amount of the HOME funds. The lien will require repayment of the HOME funds, in accordance with the resale provision described in Section 12, if the property is sold within the term of the affordability period. The assistance may be forgiven after the term of affordability ends except for assistance provided in coordination with MSHDA's single family mortgage programs, which is forgiven at the end of the mortgage term. Any repayments received must be returned to the HOME Investment Trust Fund.

Funds for Down Payment Assistance will be made available (a) to support the activities of the Acquisition/Development/Resale Assistance, (b) in coordination with MSHDA's single family mortgage programs, and (c) where a local nonprofit organization(s) or community demonstrates

capacity to provide needed supportive services (such as counseling) or to reach underserved populations.

## **5. Homeowner Assistance**

- a. Eligible Administrators:** MSHDA will make funds available to provide homeowner rehabilitation loans to families with incomes at or below eighty percent (80%) of area median. This program will be administered through either MSHDA direct loans or local administrators. Eligible local administrators include:
  - 1. In CDBG non-entitlement areas; a) local units of government or b) non-profit organizations proposing to administer a homeowner rehabilitation program in eligible, non-participating counties.
  - 2. In CDBG entitlement areas; local units of government or nonprofit organizations sponsoring a targeted strategy; targeted strategies such as, but not limited to MSHDA NPP, Empowerment Zones, Enterprise Communities, and Renaissance Zones. A 1:1 match will generally be required from the entitlement community.
- b. Maximum Assistance:** Homeowner rehabilitation assistance will generally not exceed \$25,000 per unit, with the following exceptions:
  - \$ Substantial rehabilitation costs, including costs attributable to lead-based paint abatement, not to exceed \$35,000;
  - \$ Replacement housing costs not to exceed \$75,000.
- c. Leverage:** Local administrators are expected to leverage funds from other housing programs, such as federal weatherization funding, Rural Development, and MSHDA PIP, as well as to provide in-kind services and local housing funding. Leveraging targets and results will be a factor in determining funding awards.
- d. Lien Requirements:** MSHDA requires the placement and recording of a lien on properties improved with HOME funds. Exception will be given to rehabilitation assistance loans where the cost of the repairs is at or below \$2,500. Waivers will be considered for other unique circumstances on a case-by-case basis.
- e. Financing Mechanism:** The minimum requirement is a deferred, non-forgivable loan for any assistance between \$2,501 and \$25,000. For substantial rehabilitation and replacement housing, a locally administered loan program for assistance in excess of \$25,000 with a sliding income/interest rate scale will be required.
- f. Targeted Strategies:** MSHDA reserves the right to adjust the criterion (b) through (e) listed above in targeted strategy areas.
- g. Principal Reduction Subsidy for Replacement Units:** MSHDA may provide HOME

funds in the form of a principal reduction subsidy up to \$25,000 to reconstruct (or replace) a housing unit that is not economically feasible to rehabilitate. The homeowner must obtain financing in excess of \$25,000 from other sources. Replacement units must be HUD approved new double-wide units or can be site built homes that meet local codes.

## **6. Special Projects**

Community Initiative Models. MSHDA's goal is to maximize the impact of HOME funds on local housing needs through the design of model programs that have broad applicability. The program parameters for these models may sometimes present barriers to innovative and creative responses to unique local situations. Applicants are encouraged to engage in local planning and collaborative efforts involving local government, private funders, lenders, and nonprofit organizations. Where local parties have engaged in such collaborative efforts, MSHDA will consider funding innovative and creative applications for HOME which do not comport with the program parameters of the State's plan. Requests for funding must involve HOME-eligible activities using the applicable HOME regulations.

Empowerment Zones, Enterprise Communities and Renaissance Zones and other state designated target areas. MSHDA will make available HOME funds for other HOME eligible project activities which present innovative or otherwise responsive solutions to identified housing needs for persons residing in one of Michigan's designated Empowerment Zones, Enterprise Communities, and Renaissance Zones. MSHDA reserves the right to determine the scope of these projects and procedures for awarding these funds.

## **7. Community Housing Development Organizations and HOME**

MSHDA will reserve at least 15 percent of its HOME allocation for investment in affordable housing owned, developed or sponsored by Community Housing Development Organizations (CHDOs). CHDO funding will be accessed by certified CHDOs through the eligible program components of the overall State HOME Program. CHDO funding will be used for both rental housing and first time homebuyer activities. The programs where the greatest CHDO participation is anticipated are the two components of the HOME Equity Enhancement and the Acquisition/Development/Resale Program.

MSHDA will also reserve up to 5 percent of its total allocation for CHDO operating expenses. Certified CHDOs who are undertaking CHDO eligible activities through the State HOME Program will receive first priority for operational support. Second priority will be given to organizations in Michigan's HUD-designated Empowerment Zones/Enterprise Communities and to CHDOs in non-PJ areas of the state, which are identified by MSHDA as having the potential to undertake CHDO-eligible activities within the time-frame specified by HUD for the commitment of FY03 HOME funds. These CHDOs and potential CHDOs will be required to submit work plans and budgets that identify the use of the operating funds. MSHDA will assess the progress of the recipient organization(s) on a regular basis. The disbursement of operating funds will be contingent upon the completion by the organization(s) of set goals within a specified time-frame. MSHDA will also make CHDO pre-development loan assistance



available.

MSHDA is currently certifying CHDO organizations statewide and is continuing efforts to identify CHDO eligible organizations in both rural and urban areas. MSHDA will utilize HUD and its own technical assistance funds to build the capacity of Michigan nonprofit organizations to undertake HOME assisted activities and to qualify those organizations as CHDOs.

## **8. Affirmative Marketing and Outreach to Minority and Women Owned Businesses**

All HOME activities will be subject to existing equal opportunity policies and protections in force within the Michigan State Housing Development Authority. In addition, all state recipients of HOME funds for rental activities of properties of five (5) or more must provide a plan which details their efforts to solicit the participation of minority and women owned businesses in the implementation of the program, and an affirmative marketing plan for the marketing of units in HOME assisted projects.

Staff of MSHDA's Office of Community Development will review all affirmative marketing and MBE/WBE plans. The Office of Community Development will also be available to provide technical assistance to grantees, as needed.

## **9. Affirmative Marketing**

MSHDA will implement an affirmative marketing plan to assure that eligible persons from all racial, ethnic, and gender groups in the designated housing market area are aware of and invited to apply for any available housing assistance which it directly administers. The following affirmative marketing requirements apply **only** to structures containing five (5) or more rental units assisted with HOME funds. In addition, MSHDA will provide state recipients with guidance in affirmative marketing of HOME assisted units. The affirmative marketing plans for state recipients must address the following requirements:

**a. Informing the General Public.** The method for informing the general public of the availability of the HOME Rental Rehabilitation Program will include at a minimum placing an advertisement in a newspaper of general circulation **and** a publication reaching those persons least likely to apply. All advertising will contain the HUD-approved Equal Opportunity logo **and** slogan. All display advertising will contain the logo in a prominent position with the advertisement in letter size equal to or greater than the smallest letters in the ad. Additional outreach to organizations which service disabled persons will be used when a barrier free unit(s) is part of the project.

A summary of the HOME Rental Rehabilitation Program guidelines and the ongoing affirmative marketing requirements will be made available at the state recipient's office and at other designated public places.

**b. Informing Potential HOME-Assisted Property Owners.** Upon initial contact with the property owner, the state recipient will inform interested property owners of the HOME Rental Rehabilitation Program Guidelines, the Fair Housing Laws and of their obligations and

responsibilities under the HOME program guidelines. Copies of the HUD publication **Fair Housing-It's Your Right**, as well as other written materials will be provided to the property owners.

**c. Property Owner Obligations.** At the time of application, upon request of the state recipient the property owner shall issue letters to tenants currently occupying units to be rehabilitated and submit copies of those letters to the state recipient.

i. Vacancies. The property owner shall agree that he/she **will** notify the state recipient immediately upon learning that a rehabilitated unit will become vacant. The property owner **will** also send notification to the local PHA and one predetermined local agency or nonprofit that assists families with affordable housing services.

The property owner may simultaneously inform the general public, about the availability of rehabilitated units, by advertising for tenants in a paper of general circulation and a publication reaching those persons least likely to apply, using the Equal Housing Opportunity logo in display ads or "EHO" in line ads.

The property owner shall keep track of new tenants (race, ethnicity, gender, income, family size and rent) and notify the state recipient of all new occupancies and vacancies. All pertinent rental and statistical data, throughout the term of the agreement shall be reported to the state recipient, at least annually, and at other times as requested by the state recipient.

ii. Informing Potential Tenants. While taking applications to fill a vacancy, the property owner shall keep documentation of **all** applicants for the vacancy.

**d. HOME Rental Rehabilitation Agreement.** The state recipient shall prepare an Agreement with each property owner, which describes in part their willingness to comply with the affirmative marketing requirements. The affirmative marketing requirements shall remain in effect for the term required by the HOME regulations.

**e. Record keeping.** Property owners will, on an annual basis contact the state recipient to identify the race, ethnicity, gender, income, family size and rent of tenants. The state recipient will maintain records of flyers or ads and a list of contact dates with special outreach agencies. Property owners will provide, where possible, data on how applicants learned about the housing opportunities.

**f. Assessment.** The state recipient will assess affirmative marketing efforts made by property owners as follows:

- To determine if good faith efforts have been made: Property owners' records shall be examined for actions they have taken; those actions shall be compared with the affirmative marketing policy in their contractual provisions. If the state recipient finds that the required actions were carried out, it will be reasonably concluded that the property owners have made good faith efforts to comply.

- To determine results: Property owners' affirmative marketing efforts will be assessed to determine whether persons from all of the racial and ethnic groups in the state recipients area have become tenants in the HOME assisted rehabilitated units. If the groups are representative, we will assume that the property owners have complied with the affirmative marketing policy.

**g. Remedies for Noncompliance with Affirmative Marketing Requirements.** If a property owner fails to comply with the policy and any applicable federal laws regarding the affirmative marketing policy, the property owner will not be allowed to continue to participate in the rental program. The restriction would be lifted at such time when the property owner supplied the state recipient with a corrective action plan that sufficiently demonstrates the steps he/she will take to correct and comply with applicable Federal Housing Laws and the affirmative marketing policy.

## **10. Outreach to Minority and Women Owned Businesses**

MSHDA will make efforts to encourage the use of minority and women's business enterprises in connection with HOME funded activities. At a minimum, MSHDA will undertake the following steps:

- Work with the Michigan Department of Civil Rights to maintain and expand its inventory of MBEs and WBEs;
- Provide copies of MSHDA's MBE/WBE directory to state recipients and others;
- Promote affirmative procurement policies in promotional material and media announcements about the HOME program;
- Provide information to potential MBEs and WBEs on contract opportunities;
- Develop solicitation and procurement procedures that facilitate involvement by MBEs/WBEs;
- Assure that information is provided to MBEs and WBEs on business opportunities at meetings and seminars; and
- Maintain information and report on the use of MBE and WBE contractors MSHDA in the HOME program.

In addition, MSHDA will monitor the implementation of plans for outreach to minority and women-owned businesses by State recipients and grantees. These plans will at a minimum, require:

- including qualified minority and women's businesses on bid solicitation lists and assuring that minority and women's businesses are solicited whenever they are potential sources

of materials or services;

- using the services and assistance of the Michigan Department of Civil Rights, the Michigan State Housing Development Authority, or any similar local agency to identify WBEs and MBEs, as needed;
- if any subcontracts are let, requiring the prime contractor to undertake similar outreach efforts.

## **11. Match Requirement**

The match for the FY04 HOME allocation will be met by a variety of resources, including but not limited to publicly issued debt, property tax abatement, value of donated land and property infrastructure improvements, grants from MSHDA funds, the Michigan General Fund, and private sources, as well as other funding for HOME-eligible projects.

## **12. Resale Provisions**

The federal HOME regulations require that a property purchased with HOME assistance remain affordable in accordance with §92.254(a)(4) of the HOME Regulations:

<u>HOME Investment</u>	<u>Affordability Period</u>
\$1,000 - 14,999	5 years
\$15,000 - 40,000	10 years
\$40,001 - maximum allowable	15 years

The regulations stipulate that the initial homebuyer may sell the property during the term of affordability provided that 1) the initial homebuyer repays the HOME subsidy upon resale (the "recapture" option) **or** 2) the property is resold at a price which both ensures that the owner will receive a fair return on investment and ensures that the property will remain affordable to a reasonable range of low and moderate income buyers (the "reuse" option).

The Michigan State Housing Development Authority (MSHDA) will utilize both recapture options in its homebuyer programs but reserves the right to utilize the reuse option at its discretion. Under the recapture option, MSHDA will require that the initial homebuyer repays the outstanding HOME subsidy at the time of resale. Full repayment will not be required in the case of a resale with no net proceeds or insufficient net proceeds to fully repay the subsidy. The term of affordability will be ended at such time the HOME subsidy is repaid, in whole or in part, to the State Home Investment Fund. The recapture provision will be enforced with a formal agreement with the homebuyer and a recorded lien on the property. Under the second recapture option, "Presumption of Affordability," no lien will be required unless there is a homebuyer subsidy.

Under the reuse option, the homebuyer may sell the property during the term of affordability provided that the following conditions are met:

Subsequent Purchaser: The subsequent purchaser is a low or moderate income household that will use the property as its principal residence. Low or moderate income households are defined as households whose gross annual incomes do not exceed 80 percent of the area median income, adjusted for household size.

Sale Price: The sale price of the property may not exceed the lesser of 1) the appraised value of the property at the time of sale or 2) a sale price that yields an affordable 97% mortgage. A mortgage is considered affordable if the monthly payment for principal, interest, taxes, and insurance (PITI) does not exceed 30 percent of the gross monthly income of a household with an income that is 80 percent of the median income for the area, adjusted for household size. Household size will be determined by using the maximum occupancy standard. If necessary, MSHDA will invest additional HOME funds to assure that the subsequent mortgage is affordable as defined by the HOME Program regulations.

Return on Investment: The sellers' return on investment (fair return) will be limited by 1) the MSHDA fair return formula and 2) the area housing market value. Appreciation realized during the term of homeownership may be shared between the homeowner and MSHDA.

The fair return will equal the sum of 1) the amount of the homeowner's investment and 2) the amount of the standardized appreciation value, less any investment by MSHDA that is required at the time of resale to enable the property to meet HQS, or UPCS or its replacement. The homeowner's investment is calculated by adding the down payment made by the homebuyer from its own resources, the amount of the mortgage principal repaid by the homeowner during the period of ownership, and the value of any improvements installed at the expense of the homeowner. The standardized appreciation value will equal 3 percent of the original purchase price for each year the homeowner holds title to the property, calculated as one quarter of 1 percent per month.

The homebuyer will receive the full amount of the fair return only if sufficient sale proceeds remain after all outstanding debt (excluding repayable HOME contribution), closing costs, and HQS, UPCS, or its replacement required repairs are paid off. Any sale proceeds remaining after payment of the outstanding debt, closing costs, HQS, UPCS, or its replacement required repairs, fair return, and the HOME contribution will be shared fifty/fifty between the homeowner and MSHDA. If necessary, MSHDA will use its share for the purpose of reducing the monthly payment to an affordable level to the subsequent low or moderate income purchaser.

### **13. Monitoring**

MSHDA will annually monitor the implementation of these plans to determine that good faith efforts have been made to carry out the procedures and requirements specified in the plans, to determine if the objectives have been met, and to take corrective action as necessary.

### **14. Lead-Based Paint Hazards**

In the HOME Program, all properties rehabilitated must meet HUD's Section 8 Existing Minimum Housing Quality Standards (HQS) or UPCS, or its replacement. As lead-based paint requirements are incorporated into HUD's standards, on a statewide level we are continuously addressing lead-based paint issues on housing rehabilitation projects (e.g., homeowner and rental rehabilitation).

Beginning August 11, 2001, the new HUD Lead Based Paint Regulation was put into effect throughout the State of Michigan relative to the HOME Program. Projects begun with HOME funds after January 1, 2002 will be monitored for compliance with the Lead Regulation by MSHDA staff as part of the overall monitoring for the HOME Program.

### **15. Refinancing**

On a limited basis for feasibility purposes, MSHDA will consider, as an eligible cost, the cost to refinance existing debt secured by multi-family housing that is being rehabilitated with HOME funds when the following conditions are met:

1. The multi-family project contains  $\leq 11$  units except, at the discretion of MSHDA's Executive Director, the number of units may be increased to  $\leq 50$  units; and
2. The rehabilitation cost of the project is equal to or exceeds the amount to be refinanced; and
3. The refinanced units will have a minimum affordability period of 25 years; and
4. A review of the management practices demonstrates that disinvestment in the property has not occurred, that the long term needs of the project can be met and that the feasibility of serving the targeted population over the affordability period can be demonstrated; and
5. That the investment of HOME funds for refinancing is being made to maintain current affordable units, create additional affordable units, or both; and
6. That HOME funds will not be used to refinance multi-family loans made or insured by any federal program.

MSHDA will consider the use of HOME funds for this purpose and under these conditions for multi-family projects located outside of local Participating Jurisdictions.

## **E. HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA): ONE-YEAR ACTION PLAN**

### **1. Overview**

**a.** The Michigan Department of Community Health (MDCH) administers a broad range of health care services to residents statewide, including services targeted to special needs populations. The Department is organized into five administrations: Policy and Legal Affairs Administration; Health Programs Administration; Chief Operating Officer/Executive Operations; Chief Medical Executive Health Administration; Budget and Finance and Office of Services to the Aging. The Division of Community Living within the Health Programs Administration manages the HOPWA formula grant. The HOPWA services are contracted to the seven regional project sponsors, **who are also supported by the HIV-AIDS Prevention and Intervention Division of MDCH.** The seven regions (project sponsors) serve all areas of the state except Macomb, Monroe, Oakland and Wayne counties (including Detroit). The regions provide scattered site housing assistance, short-term rent assistance, mortgage and utility payments, housing information and advocacy services and supportive services, including transportation, health services, mental health services, case management, life management, and personal assistance services. See section c below for names of the project sponsors.

**b.** The project sponsors are the seven regional fiduciaries serving areas of the state outside the Detroit Metro area. In regions where project sponsors subcontract with other providers a competitive bidding process is used. Each region submits a plan of service annually outlining the characteristics and needs of their populations, how they coordinate with other housing, health care and community services, who they plan to serve and how they plan to spend their allocation. Assurance is provided that HOPWA eligible persons from all parts of the state have access to HOPWA resources. Reports detailing numbers served and expenditures to date are submitted quarterly. Regions are provided technical assistance and consultation on an individual basis.

**c.** Region 2 serves Jackson, Lenawee, Livingston and Washtenaw counties in southeastern Michigan. DCH contracts with the HIV/AIDS Resource Center (HARC) to administer services in the region. Region 2 has an estimated 730 people living with HIV/AIDS, of which 481 are reported. Their most recent needs assessment indicated that 17% of the surveyed population report shelter as an urgent concern and 17% report needing assistance with shelter continually. Other priority needs indicated by the needs assessment are: finding safe, affordable housing; advocacy services with community mental health and substance abuse treatment centers; and supportive services (mental health counseling, budgeting services, buddy services, legal assistance and outpatient counseling).

Region 3 serves Allegan, Barry, Berrien, Branch, Calhoun, Cass, Eaton, Hillsdale, Kalamazoo, Saint Joseph and Van Buren counties in southwestern Michigan. DCH contracts with the Kalamazoo County Human Services Department to administer HOPWA services in the region. The 2002 Epidemiological Profile for Region 3 estimates 1010 persons living with HIV/AIDS, of which 666 are reported. 75% of Region 3 clients are families requiring assistance with mortgage or rental payment and utilities. Other needs identified by case managers are advocacy (help with securing other types of assistance), home repairs, and supportive services (car repairs, budgeting counseling).

Region 4 serves Clinton, Gratiot, Ingham and Montcalm counties in the mid-Michigan area. DCH contracts with the Lansing Area AIDS Network (LAAN) to provide services in the region. An estimated 520 persons are living with HIV/AIDS in Region 4, of which 344 are reported. 36% of all PLWH/A participating in the Greater Lansing HIV/AIDS Community Consortium needs assessment survey indicated housing was an issue of concern for them. Utility assistance was the top unmet need identified by three focus groups. Advocacy with local landlords is another priority issue identified by staff.

Region 5 serves Ionia, Kent, Lake, Mason, Manistee, Mecosta, Muskegon, Newaygo, Oceana and Ottawa counties in western Lower Michigan. DCH contracts with the Kent County Health Department to administer services for the region. An estimated 1200 persons are living with HIV/AIDS in Region 5, with 796 reported cases. Recent needs assessment and gaps analysis indicate the following priority needs: availability and accessibility of subsidized housing including Section 8; assistance with finding and obtaining housing; client advocacy; availability of emergency funds; and mental health counseling, especially in rural areas. The availability of housing assistance and advocacy was a particular issue in the northern/rural areas of the region.

Region 6 serves Bay, Genesee, Huron, Lapeer, Midland, Saginaw, Sanilac, Shiawassee and Tuscola counties in eastern Lower Michigan. DCH contracts with the Genesee County Health Department to administer services in Region 6. An estimated 1030 persons are living with HIV/AIDS in the region, with 677 reported cases. Focus groups conducted by the Region 6 Care Consortium indicated that direct housing assistance and counseling were priority needs.

Region 7 serves 25 counties in Northern Lower Michigan. DCH contracts with the Munson Medical Center to administer services for the region. An estimated 250 persons are living with HIV/AIDS in the region, of which 165 are reported. The priority needs identified are greater availability of quality, affordable housing and Section 8 resources.

Region 8 serves all 15 counties in the Upper Peninsula of Michigan. DCH contracts with the Marquette County Health Department to administer services in the region. An estimated 120 persons are living with HIV/AIDS in the region, of which 81 are reported. The priority need is the availability of affordable housing.

**d.** At the local level, all regions participate in community planning processes relevant to PLWH/A and housing, including continuum of care planning bodies, human services planning councils and community housing authorities and coalitions. Because the regions serve multiple counties, some local housing specialists participate on several city/county/regional housing coalitions. For example, in Region 5, the housing specialist serving the northern counties of the region is co-chairperson of the Oceana County Continuum of Care Committee, chairperson of the Mason County Continuum of Care Committee and participating in the Newaygo County Continuum of Care Committee. Consumers are involved in the planning processes through surveys, focus groups and membership in the Care Consortia and other task forces/coalitions.

At the state level, representatives of the HOPWA program participate in the development of the biannual Statewide Coordinated Statement of Need. DCH also works with the Michigan State Housing Development Authority (MSHDA) and the Corporation for Supportive Housing to



development subsidized housing resources, supportive housing and funding options to encourage development of low-income housing.

e. The regional HOPWA programs access Family Independence Agency (FIA) emergency funds, Ryan White, Salvation Army, Red Cross, Community Action Agencies, Section 8 and other MSHDA and HUD resources to serve their clients. In addition, supportive services are accessed from community mental health agencies, substance abuse treatment centers, transportation authorities and health care providers.

## **2. Program Design**

During the 2003 program year, the state was granted \$884,000 from the U.S. Department of Housing and Urban Development (HUD) for Housing Opportunities for Persons with Aids (HOPWA) program. The Michigan Department of Community Health (MDCH), Quality Management and Customer Services Administration will again administer HUD's FY04 HOPWA formula allocation. To assure that comprehensive housing and supportive services are available and meet the needs of people and families living with HIV and AIDS, all fiduciaries must submit a plan that assures that all persons living with HIV/AIDS (PLWH/A) have access to:

- a. Direct Housing Assistance (including rent, mortgage payments, and utilities);
- b. Housing Advocacy Staff Assistance for:
  - § Helping a person find and maintain housing, including permanent housing placement,
  - § Creating links in the community for long range housing solutions, such as participation in planning activities with continuum of care, public housing authorities, and housing coalitions,
  - § Connecting persons with HIV/AIDS to generic sources of housing (such as Section 8 certificates), financial support (such as SSI) and service dollars (such as Medicaid);

The project sponsor shall ensure that qualified service providers in the area make available appropriate supportive services to the individuals assisted with housing under HOPWA. For any individual with acquired immunodeficiency syndrome or a related disease, who requires more intensive care than can be provided in housing assisted under HOPWA, the project sponsor shall provide for locating a care provider who can appropriately care for the individual and for referring the individual to the care provider.

Funding priorities are in the order listed above with a goal of utilizing 75% of funds for priorities 1 and 2.

The HOPWA Certificate Program will continue throughout 2004. The purpose of the program is to promote housing permanency/stability through the development of a plan for moving the person from a homeless or emergency situation to a stable housing situation, or to maintain an eligible person in their current housing. The program provides for \$200 per month per participant and is intended for specific participants for whom a housing plan has been

developed and linkage to supportive services has been made.

MDCH recognizes being housing needy as a condition that can have several causes and effects. An important component, which helps to intervene with access difficulties, is linking the eligible participant with generic housing and services resources. A staff person meets with the eligible person, helps develop a care plan and helps identify strategies to link the person living with aids with the resources available. Resources such as the HOPWA certificate program are also made available to eligible participants to help stabilize their housing situation.

### **3. MDCH Goals**

The Michigan Department of Community Health (MDCH) strives for a healthier Michigan. To that end the department will:

- Promote access to the broadest possible range of quality services and supports;
- Take steps to prevent disease, promote wellness and improve quality of life; and
- Strive for the delivery of those services and supports in a fiscally prudent manner.

The Michigan Department of Community Health, through the Quality Management and Customer Services Administration, is dedicated to alleviating problems of being homeless and/or housing needy among persons with special needs. It has taken aggressive leadership in achieving this goal.

### **4. Program Accomplishments and Goals**

- Emphasis on concentrating HOPWA resources on direct housing and housing advocacy continued in 2003. Regional projects were encouraged to maximize other sources of funding for supportive services, including Ryan White funds.
- Since the beginning of the HOPWA Certificate Program over 120 eligible participants have accessed this support
- Goal for 2004: regional projects will provide 284 units of rental assistance and 317 emergency housing assistance payments.
- Goal for 2004: pursue additional methods of linking HOPWA resources with permanent supportive housing production in 10 counties in Michigan.
- MDCH provided assistance in increasing the availability of adequate affordable housing for persons living with HIV/AIDS through
  - Administering a HUD Supportive Housing Program Grant;
  - Administering a HUD Shelter + Care Grant;
  - Technical assistance to troubled HUD SHP grantees;
  - Encouragement of local collaborations to increase production of supportive housing units;
  - Encouragement of local collaborations to assure the availability of the maximum

- number of Section 8 vouchers targeted to people with disabilities;
- Encouragement of local collaborations on housing development that serves people with special service needs through the low income housing tax credit process;
- Encouragement of local collaborations on HUD Section 811 units to ensure that adequate services are provided at those units; and
- Participation in the Michigan Affordable Housing Conference to increase the housing IQ of developers, bankers, local officials and service providers
- Funding of a housing component to the Long Term Care Initiative which will encourage development of supportive housing for persons with long term care needs
- Administering a Nursing Facilities Transition Initiative, which targets Persons who reside in nursing facilities who either no longer require nursing facility care or no longer wish to remain in a nursing facility; persons exiting hospitals who do not wish to enter a nursing facility or who only require a short-term nursing facility stay. Goals of the project:
  - To assure that the needs of persons who have traditionally resided in nursing facilities are included in the planning and development of housing projects.
  - To develop a working model for preventing precipitous admissions to nursing facilities.
  - To inform housing providers regarding supportive services that are available to help persons avoid premature nursing facility admission.
  - To identify a model of access to services that are available outside of nursing facilities.
  - To assure that persons who require only a short-term nursing facility stay are offered the opportunity to return to the community.
  - To identify obstacles to funding services and to develop a uniform funding protocol across affected systems.

## **5. Obtaining Feedback on the Use of HOPWA Resources**

Staff funded with HOPWA resources are encouraged to attend the local Continuum of Care meetings to assure coordination with other agencies and participation in a local planning process for the use of HOPWA funds.

Additionally, MDCH holds meetings at least annually to get feedback on the program and needed changes. Site visits are also planned periodically to get local input into the program.

## APPENDIX 1

### MICHIGAN HOUSING AND COMMUNITY DEVELOPMENT CONSOLIDATED PLAN

#### SUMMARY COMMENTS: PUBLIC HEARING, CONSULTATIONS AND WRITTEN

**Comment:** We would like to encourage MSHDA to include in its upcoming Consolidated State Plan wording allowing non-Entitlement counties the freedom to decide if up to 15% of their CDBG may be set aside for Public Services/Homeless Services.

**Response:** MSHDA has added language to the CDBG Action Plan that states an applicant may request up to 15% of their county allocation award for public services, which are directly related to supportive housing.

**Comment:** As regards the proposed eligible activity of 15% of funds for public services, I think this is an exciting proposal. It will indeed provide a new avenue for very needed funding. However, the qualification on the use of this fund for public services is restricted to “supportive services directly in association with MSHDA or HUD funded supportive housing projects, including case management, enhanced management, and direct supports for persons residing in transitional housing for homeless households and/or in permanent supportive housing for homeless and/or special needs populations.”

This restriction severely limits use in the twelve counties of northeast Michigan. Is there any way that this use of CDBG funds for “public services” could be expanded to include rental or mortgage assistance to those about to lose their homes in the counties that have no transitional or permanent housing programs?

**Response:** MSHDA will consider broadening the definition of supportive services in supportive housing to include the provision of homeless prevention assistance and payment of initial rents to assist in obtaining permanent supportive housing.

**Comment:** According to the draft plan, new construction is an eligible activity for CDBG funds. This plan does not outline the policy, which will guide the obtaining of funds for new construction activities. However, to my understanding, the policy currently in effect is that *no funds will be provided for new construction without the existence of water and sewer facilities*. That policy severely limits much needed assistance to qualifying families. It also removes local control from the shaping and improving of communities. People move here or remain here precisely because they do not want to be clustered in cities. Others who have always lived here and are fortunate enough to own land in the outlying areas are penalized for that very fact.

In northeast Michigan, there are only selected areas in each county that have a municipal water system, and, in fact, the majority of county residents in every county are not served by such a system. Sewer systems are even more scarce. This means that probably two-thirds of northeast Michigan’s residents are disqualified from obtaining access to CDBG funds for new construction, regardless of whether or not they meet the income guidelines or have the need for the program. This policy may make sense in a suburban area, but I do not think it is relevant here.

**Response:**

“...the policy currently in effect is that *no funds will be provided for new construction without the existence of water and sewer facilities.*”

The policy currently in effect precludes the use of funds from the Housing Resource Fund or County Allocation Funds, from any source, unless the property is served by public water **or** sewer (not necessarily both). The policy does not affect projects funded by MSHDA’s grant to Habitat for Humanity of Michigan for local affiliate projects. ‘

“That policy severely limits much needed assistance to qualifying families.”

The *only* form of assistance that is limited by this policy is assistance in the form of public subsidies to nonprofits and local governments seeking to build new houses for sale to the general public in areas without either public water or sewer. Nonprofits and local governments may access these subsidies to (a) acquire and rehabilitate existing housing units for resale or (b) assist low-income families to buy and rehab an existing house in communities without this infrastructure. In addition, households in rural areas or communities may access down payment assistance to buy a new construction or existing home, down payment and rehab assistance to purchase an existing home, deferred and below-market rate loans to rehab or replace a home they already own. Rural individuals and families may access homeless services as coordinated by their local continuum of care and funded by this office. The policy cited does not constitute a severe limitation in much-needed assistance to qualifying families.

“[This policy] also removes local control from the shaping and improving of communities. People move here or remain here precisely because they do not want to be clustered in cities. Others who have always lived here and are fortunate enough to own land in the outlying areas are penalized for that very fact.”

The point of this comment is ambiguous. On the one hand, MSHDA’s policy relates only to new construction, not to existing housing, so rural residents are not penalized. In fact, rural residents are benefited by this policy, because public funds are not used to subsidize alteration of the rural character they prefer. However, if the intent of the above comment is to suggest that persons who own vacant rural land and who are seeking to develop it are somehow “penalized” by our policy, it must be noted that assistance for these landowner/developers is not the primary purpose of these funds.

“In northeast Michigan, there are only selected areas in each county that have a municipal water system, and, in fact, the majority of county residents in every county are not served by such a system. Sewer systems are even more scarce....”

MSHDA acknowledges that lack of infrastructure is a serious regional problem, especially in Northeast Michigan. It is not, at root, a housing problem, however. The need for additional housing units in a given market—which is the only need this policy addresses—follows economic development, which overwhelmingly follows infrastructure. The lack of infrastructure and/or infrastructure capacity is likely to be a determinative

factor in the growth of many rural communities in Northeast Michigan and throughout the state. Construction of additional units will not generate demand.

However, MSHDA is in the process of developing a contract for consulting services to facilitate input from rural communities and nonprofits on this issue. We will explore best practices in rural development and alternative strategies to identify criteria under which expanding the housing supply in communities without infrastructure may be in the public interest.

In general, however, public funds for subsidizing new construction are in very short supply. Although MSHDA will be seeking input in the months ahead on this issue, it is critically important to the citizens of the state that these funds be prioritized to support sound local land use and economic development strategies.

**Comment:** SEMCOG believes that partnerships are vital at this time of fiscal constraints. SEMCOG continues to be impressed by the collaboration between MEDC and MSHDA on housing, community and economic development projects that enhance the quality of life in Michigan. We urge the State to view local governments as active partners in creating vibrant downtowns, revitalized neighborhoods and strong communities that are attractive to all people. We also appreciate the requirement for nonprofit organizations to “collaborate with the local unit of government”, as we believe that all community development projects should comply with the local comprehensive plan.

**Response:** The State considers local governments as critical partners in our housing and community development activities. We will continue to collaborate with local governments and require our funding recipients to do the same.

#### **Rural Issues Task Force Comments:**

Educate Rural Continuum of Care Committees: Rural Continuum of Care Committees need information that will help them work with local builders to produce affordable housing. We recommend that MSHDA convene meetings of local Continua, private builders, and builder associations to educate these groups about Low Income Housing Tax Credits, USDA programs, and other MSHDA programs that would be especially suitable for rural areas. These programs can be extremely useful in educating public and private entities regarding ways to create affordable housing in rural areas.

Recognize the Housing Realities of Rural Areas: It is important that MSHDA develop rules and regulations that reflect the housing realities of rural areas. For example, rental housing is the only reasonable alternative for many rural residents, and MSHDA should make it easier to build smaller (2-4 unit) rental housing complexes that are more suitable for rural areas. In addition, the issue of restricting MSHDA dollars to units located in walkable communities is simply not practical in all rural areas. While we understand and support the issue of walkable communities in general, the need for exceptions due to particular local situations must be recognized. Finally, we believe that housing funds should be earmarked for rural areas to assure these areas receive a fair share of funding. Experience demonstrates that rural areas tend to have less access to the expertise needed to successfully apply for MSHDA funding, and the earmarking of funding would remove rural areas from the unfair competition that we face in

terms of seeking funding.

Improve Rental Standards in Rural Areas: Most rural areas do not have enforceable rental standards. Rental units are frequently undesirable, and the general lack of safe, affordable housing keeps these substandard units in use, often at exorbitant rental rates. We would like to see MSHDA advocate for the adoption and enforcement of rental property standards.

Provide More Technical Assistance: Although many rural Continua have benefited from technical assistance provided by MSHDA staff and contractors, many Continua still are not aware that they have access to these resources. We recommend that MSHDA make a more concerted effort to inform all rural Continua of the existence of the technical assistance program so these groups can gain access to information that can help them move forward in their efforts to end homelessness.

Communicate the Importance of Participation in Continua: One of the principal problems faced by rural Continua is the difficulty in bringing people to the table on a regular basis. Housing is a concern to most agencies, but it is not their full time focus, so participation in a housing forum such as the Continuum tends to be episodic. We recommend that MSHDA work with other state agencies to encourage active participation in Continua, especially in rural areas where resources are few. We also encourage MSHDA to assure their own staff attend Continuum meetings as frequently as possible so that the staff members can convey MSHDA policy and can help with developmental efforts. Finally, we ask that MSHDA require active participation in Continuum activities by MSHDA contractors, including but not limited to Section 8 contractors.

Develop a Vision for Rural Communities: We appreciate the work that has occurred in the last year to increase the focus on the special problems faced by rural Continua. We also appreciate that there has not been sufficient time for MSHDA to develop a complete vision concerning rural issues. We suggest that MSHDA consider the convening of a meeting of rural Continua to gather input for the development of a rural vision by MSHDA. Our circumstances are unique and very different from those of urban areas. Both rural and urban housing issues deserve to be addressed and we believe that there has historically been insufficient attention paid to rural issues. An inclusive attempt to create a vision for housing in rural areas would be an important step toward realizing equity for residents of rural areas.

Increase Availability of Case Management: Case management is a powerful tool for assisting individuals and families in finding affordable housing. While some Continua provide limited funding for case management, much more is needed in rural areas. Rural communities do not typically have a housing provider that has funding for case management, so additional funding for this purpose in rural areas is needed.

Modification of Challenge Grants: We understand that the Prevention Challenge Grants are currently being reviewed to determine successful interventions. We recognize that there are not sufficient funds to extend all of these grants, but we recommend that the review that is underway be used to identify programs that deserve continued funding. These grants required substantial work to implement, and they represent a range of interesting, innovative approaches to delivering housing services, so the best of the group should be continued into the future.

**Response:** With regard to the extensive comments submitted by the Rural Issues Task Force,

it is important to note that MSHDA created and has funded the work of this Task Force – in order to generate just such recommendations for enhancing the effectiveness of MSHDA's response to homelessness and housing needs in rural areas. As such, we welcome their many thoughtful suggestions regarding needs of homeless and housing providers throughout rural Michigan. Several of the issues identified are already being addressed in agency planning and program development activities in process (e.g., recommendations regarding education and training functions, increasing access to technical assistance, encouraging inter-agency participation in rural Continuum of Care groups, and increasing supports for case management). Some of the issues identified have been determined to be impractical or are inconsistent with established MSHDA policy (see description below). MSHDA looks forward to the opportunity to explore and consider the remaining Task Force recommendations – in collaboration with the Rural Issues Task Force -- in the months ahead.

With regard to the need to recognize the realities of rural areas: the Office of Community Development has funded a number of small rental housing projects in rural communities through HOME and MSHDA-funded grants; such projects remain eligible for funding. MSHDA is committed to work with our rural partners to identify needs and provide technical assistance to assure fair access to our resources.

With regard to the suggestion that MSHDA consider creating a short-term revolving fund that could be used for credit repair by the general population: MSHDA offers credit repair for LINKS eligible buyers purchasing a conventional MSHDA or Rural Development loan. We are unable to provide credit repair to buyers purchasing a MSHDA FHA or VA guaranteed loan because FHA has disallowed pre-purchase credit repair as part of their loan process requirements. In addition, staffing and resource constraints prohibit us from offering credit repair to the general population.

With regard to the suggestion that MSHDA reinstate the foreclosure assistance aspect of this program and expand the eligibility criteria to include non-TANF recipients, seniors, and victims of predatory lending and change the qualifying criteria for credit repair: The foreclosure assistance program was a staff intensive and very costly program. It was determined, in the face of staffing and funding reductions, not to continue the foreclosure assistance program.



**APPENDIX 2**  
**CERTIFICATIONS**